



## Low-Paying Jobs Linked to Increased Poverty

According to the U.S. Census Bureau, the nationwide poverty rate in 2010 was 15.1 %, up from 14.3 % in 2009. That means 46.2 million people were in poverty, compared to 43.6 million in 2009. This was the fourth consecutive annual increase in the number of people in poverty. Since 2007, the poverty rate has increased by 2.6%, from 12.5% to 15.1%.

The rise in poverty is attributed, at least in part, to the Great Recession. Many people remained unemployed or experienced reduced value and equity in their homes. However, many studies also show that stagnant wages in many sectors of the economy and the expansion of low pay occupations are also linked to the increase in poverty rates.

Peter Edelman, a professor of law at Georgetown University and author of the 2012 book, *So Rich So Poor: Why It's So Hard to End Poverty in America*, described four reasons as to why we see increased poverty. He emphasizes that, among other factors, **an astonishing number of people work at low-wage jobs.**

There is a widespread believe that wages have been declining in the last three decades as it coincided with the introduction of automation at the workplace, globalization, and the decline of labor influence. As manufacturing sector's proportion of the U.S. economy declined, the service industry became the leading job creator. According to the U. S. Bureau of Labor Statistics in *Employment Projections – 2010 – 2020*, 11 out the 20 industries projected to lose jobs are primarily in the manufacturing sector. <http://bls.gov/news.release/pdf/ecopro.pdf>

Automation in the workplace yielded higher productivity without increasing number of workers in manufacturing. This has lowered the prices of manufactured goods relative to prices of services. Despite this increase in productivity, the manufacturing workforce has not reaped gains in wages. Instead, it depressed wages as an increasing number of low-skilled workers became available to employers pushing for labor-saving modes of production.

At the same time, cheap products coming from overseas forced some business to offshore their operations and then bring products back to U.S. markets, where consumers expect low prices. As a result, employment in manufacturing fell to an even greater extent. The Great Recession also contributed to the declining trend of manufacturing jobs as it disproportionately negatively impacted factory and construction workforce.

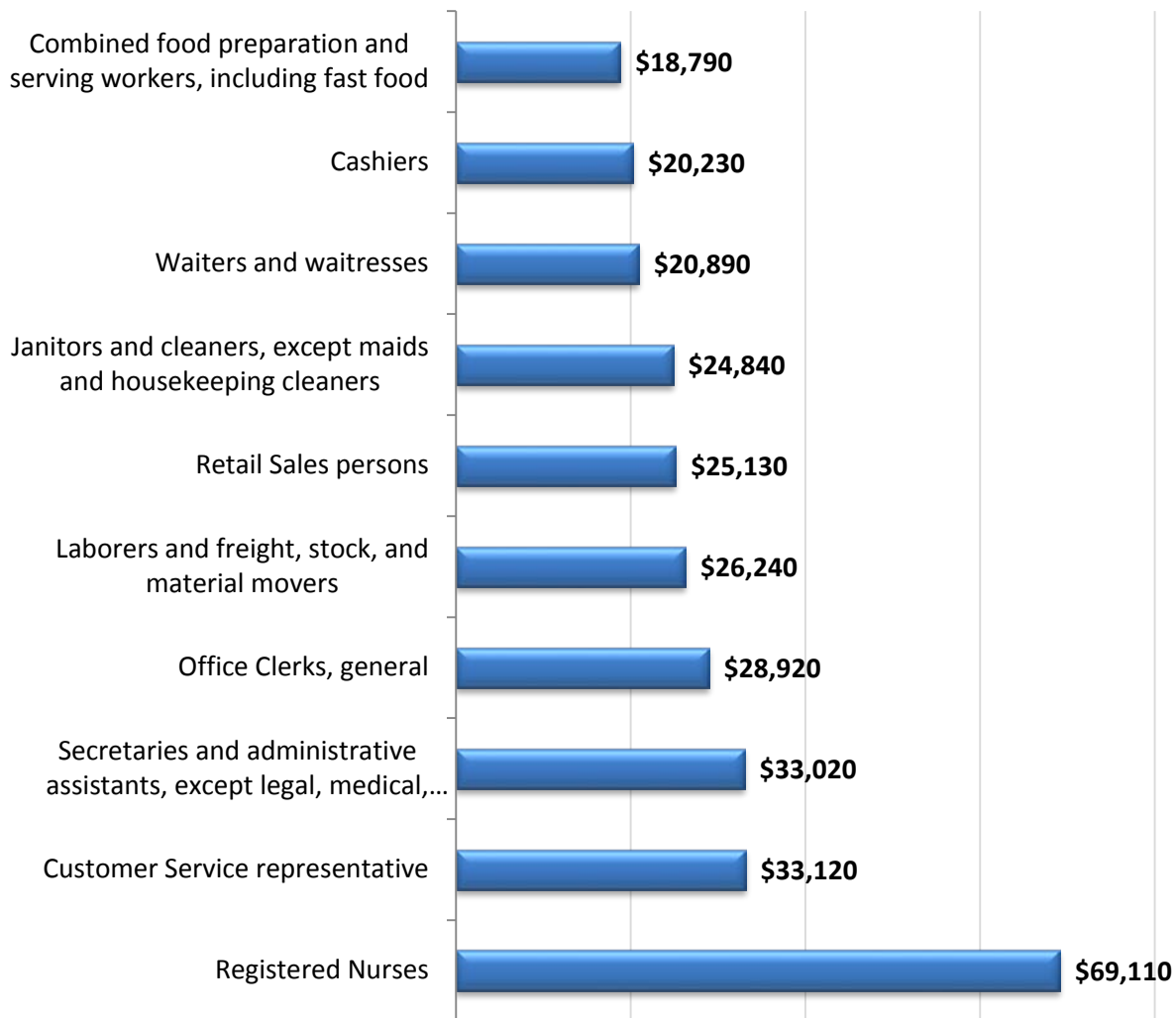
While the share of manufacturing jobs continued to decline, the share of the service industry has been expanding and is now in fact the leading sector of the economy. Moreover, most of the largest occupations in the service sector are low paying jobs.

According to a recent publication by the U. S. Bureau of Labor Statistics, only 10 occupations comprised more than 20% of total U.S. employment in May 2011, and most of these large occupations had below average wages. The chart below shows the 10 occupations that made up more than 20% in employment.

<http://www.bls.gov/opub/btn/volume-1/an-overview-of-occupational-employment-and-wages-in-2011.htm>

### Annual Mean Wages for the Largest Occupations

U.S., May 2011



Source: U.S. Bureau of Labor Statistics

Only one occupation, Registered Nurses, with an annual mean income of \$69,110 had average wages above the combined mean income for all U. S. occupations of \$45,230. Five of these occupations had annual mean wages of about \$25,000, which is barely above the federal poverty threshold for a family of four in 2012 (\$23,050).

These low wage jobs do not pay enough income for people to live on. These low paying jobs include not only those in the chart, but also child care workers, home health aide, security guards, landscape workers, and many others that do not require greater level of education or training than workers currently possess. In other words, lower wages have been fueled by the expansion of low-pay occupations.

A recent briefing paper by the Economic Policy Institute found that women, especially those who are young and minorities, are overrepresented in the ranks of low-wage workers. It defines low-wage as “below the wage that a full-time, full-year worker would have to earn to live above the federally defined poverty threshold for a family of four.” According to the report, this amount was \$23,005 per year, or \$11.06 when adjusted to hourly wage. As a result, the people who receive the low wages in the low paying occupations are disproportionately represented among those in poverty. According to the brief, in 2010, the states of Mississippi and Tennessee had the largest share of workers earning wages that put them at or under the official poverty threshold for a family of four, at 33.7% and 32.8%, respectively.

<http://www.epi.org/files/2012/bp341-future-of-work.pdf>

The stagnant wages and expansion of low-pay occupations threaten the nation’s recovery from the Great Recession. A recent Issue Brief by the National Employment Law Project underscores that despite the economic recovery and employment gains, growth of wages remains weak. Wages for entry-level workers, as well as those becoming employed after a spell of joblessness, are falling. Historically, workers in these low-pay jobs have low spending power. For a recovering economy, purchasing power of low-income consumers is essential to boost demand for goods and service in order to give businesses a reason to hire more workers.

[http://www.nelp.org/page/-/Job\\_Creation/NELP.DecliningWageGrowth.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/NELP.DecliningWageGrowth.pdf?nocdn=1)

If poverty needs to be reduced and have a sustainable economic recovery, then the U.S. would need to invest in education and create other opportunities that would create occupations that will offer living wages. These skill and educational investments with other assistance, such as the Earned Income Tax Credit, would help to reduce the number of people in poverty.

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